



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to enter into an Agreement for Workers Compensation Claims Adjusting and Administration Services with Gregory B. Bragg & Associates, Inc. (\$94,000 year one, \$98,000 year two, \$102,000 year three)

MEETING DATE: October 19, 2005

PREPARED BY: Kirk J. Evans, Risk Manager

RECOMMENDED ACTION: That City Council adopt the attached resolution authorizing the City Manager to enter into an Agreement for Workers Compensation Claims Adjusting and Administration Services with Gregory B. Bragg & Associates, Inc. (\$94,000 year one, \$98,000 year two, \$102,000 year three).

BACKGROUND INFORMATION: The City of Lodi has used Innovative Claim Solutions, Inc. (ICS) to provide workers compensation claims adjusting and administration services since September 1998. On July 6, 2005, City Council authorized distribution of a Request for Proposal (RFP) for Workers Compensation Third Party Administrator (TPA) services. The RFP was sent to 17 leading firms in California including ICS. Twelve proposals were returned.

All proposals were reviewed and evaluated based on requirements outlined in the RFP. Consideration was given to all the following factors, shown in no particular order:

- Price – all proposers submitted fees for claims administration services. These fees represented the lion's share of costs associated with each proposal. All other fees contained in each proposal - such as account setup, online access, medical bill review, utilization review fees, etc. - were also considered. Proposals priced at the high end of the spectrum were eliminated.
- Pricing Structure – Proposals that require predicting the outcome of many variables were considered less desirable (e.g. when hourly rates for specific services are presented, a prediction must be made regarding the number of hours per year that will be spent providing that service).
- Technical Experience and Expertise – The City is looking for an office that has handled a broad range of difficult claims at a consistently high volume. A proposing firm may have been in business for several years. However, if the branch office they intend to assign to the City of Lodi has existed for only one year, there may be legitimate concerns regarding the experience of their staff and the ability of the office to focus effectively on the City of Lodi's claim workload.
- References – Of course references are expected to provide very positive reports regarding the proposer's ability to process all claims fast and accurately. A negative report, especially from a reference provided by the proposer, is a strong warning sign.

APPROVED:

Blair King
Blair King, City Manager

Using the criteria described above, the twelve submitted proposals were reviewed and narrowed down to a field of five. These proposers were invited to make presentations and answer questions before a panel comprised of the Deputy City Manager and Risk Manager. Particular attention was paid to the ability of the proposer to reduce the City's workers compensation program expenditures through the medical bill review process as well as by keeping fees charged for this service to a minimum.

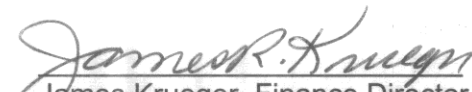
After this deliberation took place, the final decision came down to a choice between the City's current TPA, ICS, and Gregory B. Bragg & Associates, Inc. Bragg's fees are lower than ICS's for most of the proposed services, e.g., ICS's proposed claims administration fee for the first year of the contract was \$106,000 versus \$94,000 for Bragg. As part of this decision, consideration must be given to the costs associated with making any transition from an existing TPA, i.e., there is a learning curve that both City and Bragg staff must go through to become knowledgeable regarding workers compensation program procedures - this will take time and effort.


This effort would be unnecessary if the City chose to stay with ICS. However the decision was ultimately tipped in Bragg's favor by the additional services Bragg brings to the table. Not only does Bragg have the ability to process claims effectively in a timely manner, their 175 knowledgeable employees available at eight offices throughout California are capable of providing specialized expertise to address the unique needs of the City of Lodi. The office assigned to the City of Lodi account is conveniently located in north Stockton. This will facilitate excellent communication between City Risk Management and Bragg staff. Difficult issues often require face-to-face meetings which will now be possible only 20 minutes away.

The current agreement with ICS expired September 30. The attached letter from Bragg (Exhibit A) provides an overview of negotiated revisions to Bragg's proposal. This provides the City with an even better arrangement relative to Bragg's original proposal. Also attached is the Agreement for Workers Compensation Claims Adjusting and Administration Services with Gregory B. Bragg & Associates (Exhibit B). This agreement will take effect December 1, 2005. ICS has agreed to continue providing services until November 30 at their current rates. Staff recommends that City Council adopt the attached resolution authorizing the City Manager to enter into an agreement with Gregory B. Bragg & Associates.

FISCAL IMPACT: Claims administration services - \$94,000 in the first year, \$98,000 in the second and \$102,000 in the third. Other fees are outlined in the agreement. These include Bill Review fees (this service saved the City \$590,000 in medical expenditures in FY 04/05), Client Services fees and fees for Other Services such as Investigations and Utilization Review. These services have been provided throughout ICS's tenure with the City and will also be provided by Bragg. Bill Review comprises the majority of cost for these services - fees can vary significantly from year-to-year. We expect these services will cost approximately \$42,000 annually.

FUNDING AVAILABLE: Sufficient funds are available in the Workers Compensation 310202.7323 account to cover projected expenditures for Bragg's services for the remainder of the current fiscal year.


James Krueger, Finance Director


Kirk J. Evans
Risk Manager

KJE

Attachments

cc: City Attorney

Gregory B. Bragg & Associates, Inc.
P.O. Box 2216
Granite Bay, CA 95746



VOICE: (916) 960-0908
FAX: (916) 783-0338
randall.smith@gbbragg.com

October 5, 2005

EXHIBIT A

Kirk Evans
Risk Manager
City of Lodi
221 West Pine Street
Lodi, CA 95240

RE: Workers' Compensation Claims Management Services for the City of Lodi

Dear Mr. Evans:

I appreciate the opportunity we had to meet with you yesterday to further discuss our third party administrator contract and describe the partnership that we envision with the City of Lodi. I have made the modifications from our original proposal, and have attached the revised contract according to the points we discussed. Your requested revisions are outlined below:

Claims Management Rates:

Our annual flat rate for managing your workers' compensation claims will be \$94,000 for the first year of the contract. The fees for the second year and third year were reduced from the proposed \$99,000 to \$98,000 and \$104,000 to \$102,000, respectively.

Bill Review Fees:

The charge for bill review services was reduced from the proposed \$10.50 per bill, to \$9.50. The fees for PPO access were reduced from 22% to 20% of any PPO savings realized.

Other Services:

Gregory B. Bragg has extensive experience in successfully working with numerous ancillary service providers in order to lower the workers' compensation claim costs of our clients. We have developed relationships with providers that offer favorable pricing and excellent support to our clients because of the volume that we can generate. We will work closely with the City in selecting providers that will deliver a quality product and exceptional customer service. We can introduce the City to the providers with whom we've experienced outstanding service and competitive pricing or we can work with the providers that have already built a partnership with the City. We continually review the quality of service performed by each provider as well as verify each invoice before payment.

Gregory B. Bragg & Associates has created ancillary service departments including bill review, investigations and risk control to better assist our clients in controlling and reducing claim costs. The departments are staffed with Bragg employees who maintain close contact with the claims staff ensuring timely and effective results.

Other services associated with claims handling can be performed after obtaining approval from the City of Lodi. These rates may be negotiated on an annual basis:


1.	Investigation Services	\$ 70.00 per hour
2.	Utilization Review	\$ 85.00 flat rate
3.	Physician/Chiropractic Review	\$ 150.00-\$ 195.00 flat rate
4.	Telephonic Nurse Case Mgmt	\$ 85.00 per hour
5.	Field Case Management	\$ 90.00 per hour
6.	Risk Control Services	\$ 110.00 per hour
7.	Mileage	IRS Reimbursable rate
8.	Secretarial	\$ 6.00 per page
9.	Index Reports	at actual cost
10.	Other Expenses	at actual cost

Contract Term:

Bragg & Associates will begin administering claims for the City of Lodi on December 1st 2005.

We are pleased that the City of Lodi has selected Gregory B. Bragg & Associates to administer your workers' compensation claims. We are confident that we will be an excellent partner in providing appropriate benefits and quality customer service to your injured workers as well as helping to manage and control your overall program costs. Should you have any further questions, please give me a call. We look forward to the opportunity to provide cost-effective, quality claims services to the City of Lodi.

Sincerely,



Randall C. Smith, CPA, ARM
President

AGREEMENT FOR WORKERS' COMPENSATION CLAIMS ADJUSTING AND ADMINISTRATION SERVICES

Agreement entered into by and between the City of Lodi, a political subdivision of the State of California (hereinafter "Client") and Gregory B. Bragg & Associates, Inc., a California corporation (hereinafter "Claims Administrator").

RECITALS

- (a) Client is a public entity duly organized and validly existing under the laws of the State of California with the power to carry on its business as it now being conducted under the statutes of the State of California.
- (b) Client requires Workers' Compensation claims adjusting and administrative services and Claim Administrator is agreeable to performing such services for Client.
- (c) In order to operate the Program effectively, it is necessary to retain an experienced and competent firm to act as claims adjustor and administrator. Claims Administrator represents that it is experienced and competent to fulfill those duties and wishes to be retained by Client for that purpose.

TERMS AND CONDITIONS

In consideration of the foregoing Recitals and the following Terms and Conditions, the parties mutually agree as follows:

1. Retention of Claims Administrator

Client agrees to retain Claims Administrator to act as the claims administrator for the Client Workers' Compensation Program on the Terms and Conditions set forth in this Agreement. Claims Administrator agrees to perform all of the duties for which it has been retained.

2. Scope of Services

- (a) Unless the parties otherwise hereafter agree, Claims Administrator shall be solely and completely responsible for supplying Client with all of the work and services required to adjust and administer all Workers' Compensation claims made against Client during the term of this Agreement.
- (b) Claims Administrator will promptly initiate its administration of each claim reported by Client. However, Claims Administrator shall not be responsible for payment of any fines or penalties as a result of claims which are not reported to it in a timely manner or which are not reported at all.

3. Program Records

- (a) Claims Administrator shall maintain a complete set of records fully documenting its activities under this Agreement. The records shall be treated as CONFIDENTIAL and shall not be disclosed to any person except as required in furtherance of Claims Administrator's duties under this Agreement or as directed by Client or as otherwise required by law.

- (b) All records prepared, acquired and maintained by Claims Administrator shall at all times be the property of the Client and shall be made available to the Client, as the case may be, at the termination of this Agreement.
- (c) For purposes of this Section 3, “records” include original and copies of all documents, reports, correspondence and any other physical embodiments of information and data, regardless of whether they are kept in written or electromagnetic form.

4. Compensation

A. Claims Management Rates: Annual Flat Rate

The annual rate for the first year of managing all workers’ compensation claims is \$94,000. The fees for the second year and third year are \$98,000 and \$102,000, respectively.

B. Annual Client Services Fee: \$2,000

This includes the following services: computer input of all open claims, monthly computer loss information and quarterly and annual reports, trust account (excluding checks and bank charges), and management attendance at claim review meetings. This fee includes 2 online access licenses. Additional licenses may be purchased upon request.

C. Bill Review Fees

Bill review/PPO access services may be provided at \$9.50 per bill reviewed and 20% of PPO savings for PPO access. PPO fees are not to exceed the amount paid to the medical provider on bills where PPO savings are realized.

D. Other Services

Other services may be done after authorization of Client at the following time and expense rates. These rates may be negotiated on an annual basis:

1.	Investigation Services	\$ 70.00 per hour
2.	Utilization Review	\$ 85.00 flat rate
3.	Physician/Chiropractic Review	\$ 150.00-\$ 195.00 flat rate
4.	Telephonic Nurse Case Mgmt	\$ 85.00 per hour
5.	Field Case Management	\$ 90.00 per hour
6.	Risk Control Services	\$ 110.00 per hour
7.	Mileage	IRS Reimbursable rate
8.	Secretarial	\$ 6.00 per page
9.	Index Reports	at actual cost
10.	Other Expenses	at actual cost

5. Billings

Claims Administrator shall prepare and present to Client detailed monthly billings for its services under this Agreement. The billings shall describe the nature of the services provided and the expenses incurred, the applicable dates, an itemization of all charges and, to the extent possible, the person or persons performing the services on behalf of Claims Administrator. Upon request, Claims Administrator will endeavor to supply additional billing details as Client may reasonably request. Claims Administrator's billings shall be due and payable by Client thirty (30) days after receipt.

6. Trust Fund

Client shall establish a trust bank checking account or accounts to which Claims Administrator shall have access for purposes of paying losses within its claims adjustment authority and processing claims administration and litigation expenses to third persons. With respect to claims administration expenses, Claims Administrator shall not, without written authorization, make payments directly to or on behalf of itself of compensation earned pursuant to Section 4 above or for any other purpose. The trust account or accounts shall be maintained at a level adequate to disburse payments on claims files in timely fashion, and shall be replenished as necessary by Client upon request of Claims Administrator. The records of the trust account including check registers, canceled checks and bank statements shall be available for examination by Client at any reasonable time.

7. Contract Term; Termination

The term of this Agreement shall commence on the 1st day of December, 2005. This Agreement may be terminated at any time by either party without cause upon sixty (60) days written notice. This agreement will be automatically renewed on an annual basis subject to the same terms and conditions, except Section 4 herein, which may be renegotiated by the parties hereto.

8. Independent Contractor

In performing the services agreed upon in this Agreement, Claims Administrator (and its officers, agents and employees) shall have the status of an independent contractor, and neither it nor they shall be deemed to be an officer or employee of Client.

9. Indemnification

- (a) Claims Administrator shall defend, indemnify, and hold harmless Client, its officers, directors, agents, employees, member agencies and their representatives from and against all damages, claims, penalties, demands, actions, or causes of actions which may arise from the action, conduct, or failure to act by Claims Administrator or its officers, employees and agents.
- (b) Client shall defend, indemnify, and hold harmless Claims Administrator, its officers, directors, agents, employees from and against all damages, claims, penalties, demands, actions, or causes of actions which may arise from the negligence of Client and/or the provisions of inaccurate or incomplete information or data by Client, or failure by Client to provide information requested by the Claims Administrator.

10. Insurance

- (a) Claims Administrator shall provide Client with a certificate or certificates of insurance duly executed by an insurance company or companies, acceptable to Client, which are authorized to transact business in the State of California. The certificate(s) shall certify that the Claims Administrator has in full force and effect at all times during the term of this Agreement a single policy of at least \$1,000,000 coverage applying to bodily injury, personal injury, property damage and errors and omissions. Claims Administrator shall also secure and maintain in effect at all times a fidelity bond or bonds in the amount of at least \$500,000 in form and sureties acceptable to Client which bond(s) shall secure Client and the Program Participants against any losses suffered by Client due to dishonesty of or misuse of funds and property entrusted to Claims Administrator, or any of its officers, employees or agents.
- (b) All such policies of insurance and bonds shall contain endorsements requiring that notice of cancellation of any policy or bond be given by the insurer or surety to Client not less than twenty (20) days prior to the effective date of cancellation.

11. Designated Representative

- (a) Claims Administrator shall identify the person or persons who, as employees of Claims Administrator, shall serve as Claims Administrator's designated representatives to Client in the performance of this Agreement. The Claims Examiner handling Client files will be state certified and will handle no more than 175 open indemnity files at any one time during the term of this Agreement.
- (b) Client reserves the right to require Claims Administrator to replace any person as a designated representative if, after review, Client and the Claims Administrator determine that the Claims Examiner is not satisfactorily fulfilling his or her responsibilities.

12. Notice

Any notice required to be given under this Agreement shall be given by personal delivery or registered or certified mail or overnight carrier at the addresses specified below or at such other addresses as may be specified in writing by the parties hereto:

To the Claims Administrator
by mail:

Gregory B. Bragg & Associates, Inc.
P.O. Box 2216
Granite Bay, CA 95746

To the Claims Administrator by
personal or overnight carrier:

Gregory B. Bragg & Associates, Inc.
1 Sierra Gate Plaza, Suite 250-B
Roseville, CA 95678

To the Client:

Blair King
City Manager, City of Lodi
221 West Pine Street

Lodi, CA 95240

With a copy to:

Kirk J. Evans
Risk Manager, City of Lodi
221 West Pine Street
Lodi, CA 95240

Notice shall be deemed given three (3) business days after the date of mailing, or if personally delivered or delivered by overnight carrier, when received. A party's address for notice may be changed by giving notice to the other party in the manner set forth above and indicating the new address for notice.

13. Miscellaneous

- (a) This Agreement contains the entirety of the agreements and understandings between the parties with regard to the subject matter of this Agreement, and it supersedes all prior written or oral agreements which may have previously existed.
- (b) This Agreement may not be altered or amended except upon the mutual written approval of both parties, which alteration shall be duly executed by the parties' authorized representative.
- (c) This Agreement is made and shall be interpreted and enforced under the laws of the State of California.
- (d) The parties agree that venue shall be in Lodi, California.

CITY OF LODI, a municipal corporation:

Gregory B. Bragg & Associates, Inc.:

BLAIR KING
City Manager

RANDALL C. SMITH
President

ATTEST:

SUSAN BLACKSTON
City Clerk

APPROVED AS TO FORM:

D. STEPHEN SCHWABAUER
City Attorney

RESOLUTION NO. 2005-223

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING
THE CITY MANAGER TO ENTER INTO AN AGREEMENT FOR
WORKERS COMPENSATION CLAIMS ADJUSTING AND
ADMINISTRATION SERVICES WITH GREGORY B. BRAGG &
ASSOCIATES, INC.

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NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council hereby authorizes and directs the City Manager to execute an agreement for workers compensation claims adjusting and administration services with Gregory B. Bragg & Associates, Inc., beginning December 1, 2005, in an amount not to exceed as follows:

\$ 94,000 (year one)
\$ 98,000 (year two)
\$102,000 (year three)

Dated: October 19, 2005

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I hereby certify that Resolution No. 2005-223 was passed and adopted by the Lodi City Council in a regular meeting held October 19, 2005, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, Mounce, and Mayor Beckman

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None


SUSAN J. BLACKSTON
City Clerk